

Korea's Strategy for Attracting FDI amid Pandemic

Sang Hyun Chang

Head of Invest KOREA, Korea Trade-Investment Promotion Agency (KOTRA)

Amidst the widespread infection of COVID-19 around the world, a video conference between Korea and France was held on April 10 under the auspices of the Korean-French Chamber of Commerce and Industry. Introducing the current status of Korea's response to COVID-19 and changes in the foreign direct investment (FDI) environment, about 400 participants, including the French Ambassador in Korea as well as French government officials, congressmen, companies and media, showed great interest in Korea's quarantine system and response policies to minimize the negative impacts on trade and investment activities. Policies on intensive social distancing, extensive diagnosis and the transparent disclosure of information under the principle of openness and transparency implemented by the Korean government are now being recognized as exemplary measures by other countries.

On March 26, UNCTAD predicted that the total amount of global FDI would be reduced by 30-40% from 2020 to 2021 due to the worsening profitability of multinational companies because of COVID-19. Ultimately, it is expected that the extent of the reduction in FDI in the future will be determined by the duration of the pandemic as well as the direction and scale of policy packages for recovery.

Although COVID-19 is expected to have a significant impact on the Korean economy, Fitch Ratings, a global credit rating agency, announced on April 23 that Korea's economic growth rate would be -1.2% in 2020, and predicted that it would be relatively less affected than other regions such as the U.S. with -5.6%, and the Eurozone with -7.0%. Moody's, another major credit rating agency, also announced on April 6 that it will maintain Korea's national credit rating and outlook at "Aa2" and "stable," respectively. According to the agency's credit opinion, it stated, "Although the spread of the pandemic is likely to affect South Korea's trade, supply networks, investment, tourism and so on and some industries and financial institutions are already under pressure, its impact on the sovereign credit rating of South Korea will be limited.

In the first quarter of 2020, statistics showed that Korea's inbound FDI reached \$3.27 billion, a 3.2% increase from the same period last year. COVID-19 had a limited impact on FDI in Korea, as major investment projects were carried



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out without significant disruptions so far. However, concerns are growing as the situation is expected to be tough starting from the second quarter due to the spread of damage in major investors such as the U.S. and countries in the EU.

There are over 15,000 foreign-invested companies in Korea which make up a substantial part of the Korean economy. To provide a sustainable business environment for these foreign-invested companies, the Korean government and Invest KOREA will continue to provide support by creating a more favorable investment environment; expanding cooperation in high-tech industries; and improving efficiency on investment attraction activities.

In order to create an increasingly foreign investment-friendly environment, the government is making supplementary improvements such as revising the Foreign Investment Promotion Act and Cash Grant, and expanding communication with companies that are already invested in Korea and foreign chambers of commerce in Korea to establish a close cooperative channel. Recently, Invest KOREA, the Ministry of Trade, Industry and Energy and local governments have jointly organized the "COVID-19 Task Force Team (TFT) for foreign-invested companies" to support those being impacted by COVID-19. In an effort to resolve the companies' difficulties, the TFT has been conducting a daily survey on about 630 foreign-invested companies in Korea to support their emergency business operations by putting in place disease prevention measures and assisting

them with the procurement of raw materials.

As Korea's diagnostic kits, disease control measures and medical equipment are receiving great attention from other countries, it is expected to increase FDI opportunities for foreign companies in the medical and bio industries. Global cooperation in such industries can then create more opportunities for promising growth in terms of market or technology.

At Invest KOREA, we are taking our existing annual domestic and overseas offline investment attraction activities to online platforms, and is planning online pin-point investment attraction events to induce early investment decisions on promising projects in 2020. Through online investor relations (IR) sessions, we are emphasizing Korea as a safe investment destination, with transparent and rapid virus control measures, stable logistics and distribution systems, and medical and health capabilities that have contributed to

preventing the spread of disease.

After the COVID-19 pandemic comes to an end, an era of the New Normal will come soon socially and economically. If Korea's disease control experience is actively shared with various countries at a time of such difficulty, contributing to the prevention of further proliferation and effectively supporting the sustainable operation of foreign-invested companies, it could greatly contribute to securing the stability and credibility of the Korean economy.

Furthermore, if Korea is highlighted as a stable and promising investment destination at a time when multinational companies are expected to reorganize the global value chain due to the influence of COVID-19, it will be an opportunity to secure additional growth engines in the country. Now is the time for all of us to gather our wisdom to use the crisis caused by COVID-19 as an opportunity.

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Invest KOREA's Services

Invest Korea Plaza (IKP)



Invest Korea Plaza (IKP) is Korea's first facility dedicated to the incubation and investment of foreign investors. Each year, more than 40 foreign-invested companies rent out offices in the plaza and utilize IK's one-stop service.

Foreign Investment Ombudsman

The Office of Foreign Investment Ombudsman is an organization established in 1999 to provide close aftercare support and grievance resolution services for foreign-invested companies, and is dedicated to resolving any difficulties that foreign-invested companies face while doing business in Korea.

One-Stop Service for Foreign Investors

The Inbound Investment Consulting Department not only

assists foreign investors and foreign-invested companies in the investment review and implementation stage, but also offers customized services to help foreign investors and their families get comfortably settled in Korea.

Invest Korea Market Place (IKMP)

IKMP is a project aimed at discovering promising Korean SMEs seeking to attract foreign investment and matching them with foreign investors who have compatible needs. Projects looking for investment are posted on our website at www.investkorea.org.

Job Fair for Foreign-Invested Companies



IK organizes annual job fairs to help foreign-invested companies discover qualified local talent, and job seekers find employment through job consultations, on-site interviews, and more.